BRIEF ON BEHALF OF PETITIONER.

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Opinions Delivered in the Courts Below.

The opinion of the District Court is reported in 62 P. A. 262, and the opinion of the Circuit Court of Appeals is reported in .... P. A. .....

Concise Statement of Jurisdictional Grounds.

A charge of patent infringement is here presented, wherefore jurisdiction is vested in the Federal Courts, all as set out heretofore under the heading "Basis for Jurisdiction." The matter, as now laid before this Court, concerns application of the equitable principles necessary for support of the doctrine of shop-right, and particularly the interpretation to be given this Court's decision in *United States* v. *Dubilier* (289 U. S. 178) upon which both parties as well as the courts below have largely relied. A clarification of its rule established in the Dubilier case is earnestly sought for the guidance of all concerned, hence the importance of the questions that are here presented.

Concise Statement of the Case.

The respondent has freely used the petitioner's patents concerning whose validity there is no issue here. To the petitioner's charge of infringement, the respondent has answered with what amounts to a plea of confession and avoidance. It relies upon a shop-right which it claims to

have in the petitioner's patents, and upon an equitable title in and to the remaining patents, The issue, therefore, centers about the putative rights of the respondent in and to the petitioner's patents. A more detailed statement of the matter involved appears in the body of the Petition.

Assigned Errors.

Both Courts below erred in holding that the respondent is entitled to

(a) a shop-right in and to any of the patents for sole inventions of Sharp, Sr.;

Nos.	1,794,737	Granted March 8, 1931	(T. 588)
	1,795,517	Granted March 10, 1931	(T. 596)
	1,795,518	Granted March 10, 1931	(T. 602)
	1,902,912	Granted March 28, 1933	(T. 608)
	1,937,253	Granted November 28, 1933	(T. 614)
	2,007,310	Granted July 9, 1935	(T. 635)
	2,054,393	Granted September 15, 1936	(T. 638)

(b) an equitable title in and to the Sharp Jr. patents Nos. 2,024,069 and 2,024,070, both granted December 10, 1935 (T. 642 and 450); and

(c) an equitable title in and to the Anderson patent No. 1,976,694, granted October 9, 1934 (T. 633).

ARGUMENT.

The Sharp Sr. Patents.

The written contract which expired September 30, 1923 gave to Sharp Sr. certain benefits, accruing to his estate upon his death, which benefit continued through the contract term, but no longer. It gave to the respondent the right of ownership to all Sharp Sr. patents for inventions made during that five-year period, such ownership to continue throughout the patent term in each case. The terms and provisions of this contract were fully complied with by both parties. Thereafter, while negotiations for a new written contract were prosecuted , Sharp Sr. continued on as president of the plaintiff company. He continued to act as such, by year to year arrangements, until his death in 1934. It was during the period after September 20, 1923 that he made several inventions and obtained therefor patents concerning which there is a dispute here, the respondent contending that it is entitled to a shop-right regardless of such special circumstances as that *Sharp Sr. was not free to exercise any of the usual perogatives of ownership.*

The decision of this Court in *United States* v. *Dubilier Condenser Corp.*, 289 U. S. 178, sets forth what the respondent contends to be the ruling principle for the case at bar. The subject of shop-right is there expounded at length and with great clarity. The U. S. Circuit Court of Appeals likewise rested its decision upon this same case *inter alia.*

It is the petioner's contention, however, that application of the doctrine upon which this decision is founded requires that certain factual conditions be present, other-

wise it is without force. Due regard for the rationale in that decision indicates beyond question that conflicting rights are to be resolved *in accordance with equitable principles.* If, because of special circumstances, the theory of shop-right does violence to equitable principles, then that theory should be rejected.

In the Dubilier case, *supra,* this Court said (page 188):

> ". . . where a servant, during his hours of employment, working with his master's materials and appliances, conceives and perfects an invention for which he obtains a patent, he must accord his master a non-exclusive right to practice the invention. (citing cases.) This is an application of equitable principles . . . (the invention) remains the property of him who conceived it, together with the right conferred by the patent, to exclude all others than the employer from the accruing benefits."

To the same effect is the language of Mr. Justice Stone in his dissenting opinion in which he notes (page 215):

> "Where the employment does not contemplate the exercise of inventive talent the policy of the patent laws to stimulate invention by awarding the benefits of the monopoly to the inventor and not to someone else, leads to a ready compromise: a shop-right gives the employer an adequate share in the unanticipated boon."

In the case at bar, the employee (Sharp, Sr.) who happened to be the respondent's president, was not permitted *by very special and unusual circumstances* to exercise any of usual incidents of property ownership in and to his patents It is unimportant to the respondent whether or not it ever owned the patents. It has always enjoyed the equivalent of full ownership. From the beginning, the employee has been powerless to assert any ownership pre-

rogative. Any attempted disposition of rights to the patents would have involved the employee in such serious and devastating consequences as to negative any supposition of freedom to act. It is our belief that this Court never intended the doctrine of the Dubilier case to be applied in such circumstances.

The rule that "where a servant, during his hours of employment, working with his master's materials and appliances, conceives and perfects an invention for which he obtains a patent, he must accord his master a non-exclusive right to practice the invention," is stated to be "*an application of equitable principles*" (*U. S.* v. *Dubilier, supra*). The theory is that the employee may keep the title and do anything he may wish with the patent, subject only to a shop-right in favor of his employer. Such an apportionment of rights, *in an ordinary case,* would be "an application of equitable principles." But the case here is *not* such a one that the invocation of this rule would be "an application of equitable principles"—in fact it would be the most inequitable determination of the conflicting rights here presented

Control of the Grip Nut Company by a wide margin was vested in Hardy and Tripp, two of the respondents, and in Miami Metals Company, which they owned (T. 136). A 25% of the stock ownership belonged to the Sharp family—a substantial amount, yet junior to outstanding bonds (T. 485) and too little for effective assertion against adverse action by the majority interest. Although the Sharp patents were vitally important to the respondent, *possession of title was unimportant to it.* As stated by Sharp, Jr. (T. 130),

> "I pointed out to her (meaning Mrs. Sharp) that the Grip Nut Company's continued operations, suc-

cess and growth to where we could pay her was predicated upon the continued use of those patents; if she insisted upon taking the patents, the Grip Nut Company would fold up; that if it did fold up then her stock would be of no value, and that the patents would be difficult to sell or dispose of, if they were patents that controlled a business that had folded up and not been successful."

Or, as he put it in a letter of February 16, 1939 to Messrs. Hardy and Tripp (Def. Ex. 36—T. 489-490),

> "If I gave the Company a shop-right and then sold to others or licensed them (as I have had several opportunities to do) it would kill the Grip Nut Company, because we couldn't carry on successfully on a share of the business with our present set-up."

This startling assertion has never been questioned, much less challenged.

It is most unusual to encounter such a fact situation, in which it was never possible for the petitioner to freely act in the assertion of her claim.

Council for the respondent prefer to ignore the realities of the situation. This is apparent from the discussion (page 10) in its brief filed with the U. S. Circuit Court of Appeals where the employee's rights, under the theory of shop-right, are thus stressed:

> "The employee, on the other hand, if he owns the patent, subject only to the shop-right, can grant licenses to competitors of his employer, or to anyone he wishes. He can sue and recover damages from infringers and can obtain injunctions against infringers. His patent is his personal property and he is at liberty to sell it to his employer or to anyone who wishes to buy it."

We submit that this appraisal of rights, in the abstract, does not apply here. The petitioner was never *free* to "grant licenses," nor "to sell it," without jeopardizing both her own interests and the interests of the respondent as we will now point out.

While it is true that Sharp, Sr. (and later Mrs. Sharp) owned the patents under which the respondent claims a shop-right, that is not the criterion by which to determine the putative rights here. The title ownership which the respondent concedes to the Sharp estate is here but an empty and valueless thing. It has all the form but no substance. Far from being an asset, it was in fact a liability. Any attempted disposition of the patent rights "would kill the Grip Nut Company," (T. 489), and the Sharp stock interest (25%) in the company "would be of no value" (T. 130). This interest was worth about $200,000 (book value in 1938, T. 486). Patent title ownership, *by force of these very unusual circumstances,* gave the Sharp family very restricted latitude. To avoid loss of its valuable stock interest, prudence required that it accept the situation and continue to hold the naked patent title. Only by so doing would the respondent survive and thereby make it at all possible to maintain the value of the Sharp family's stock interest. The only alternative, which was no alternative at all, was to sell or license the patents to others. This is what respondent's counsel has said the petitioner had a legal right to do. True, but such a course "would kill the Grip Nut Company," and destroy all the value of her stock, including any prospects for a satisfaction of her claim. The title owner here was never a free agent. She was in no position to assert the rights, privileges and advantages which collectively establish ownership of a patent property. This disability was not of her own mak-

ing but arose out of the circumstances of employment of Sharp, Sr., by the respondent.

Even if Sharp, Sr., had never owned any stock interest in the respondent Company, the situation would still be the same. As president of the company he owed a duty to refrain from any act which would impair or weaken its competitive position. Retention of title to his patents did not free him from this obligation. He could never, without breach of the fiduciary relation which existed between him and his employer, place his patents at the disposal *of others.* By reason of the special trust which was reposed in him he could not, and never did, enjoy the freedom with respect to his patents that the courts have regularly associated with the rights accorded to the usual employee under the theory of shop-right.

Whether the respondent's interest in the patents be that of a licensee or of sole owner, its position is equally secure. For all practical purposes it has controlled the patent ownership, as it fully well realizes. Any attempted disposition of the patents, *except to itself,* would have been madness. In fact, had Sharp, Jr., while president, made any effort in this direction, the respondent might well have claimed a breach of fiduciary relations on his part, because of the certainty that this step would wreck its business.

The respondent's assertion of a shop-right, in the light of all the circumstances, is not a modest claim. It knows full well that a finding to this effect is tantamount to a prohibition against disposal of the patents because of the stock loss (a penalty of $200,000) which the petitioner would sustain. And this securement of its position it proposes to gain by denying to the petitioner any compensation whatever for use of the patents. Whether the title

passes to the respondent, as during the years 1918-1923, or be held for its benefit by the petitioner, the result is the same. In effect, the rights in their entirety belong exclusively to the respondent *due to force of the special circumstances here present.*

In its brief (page 15) filed with the Court below, counsel for the respondent has stressed the fact that in the majority opinion of the Supreme Court in the Dubilier case *supra* there is restated *four times* the proposition that "where a servant during his hours of employment, working with his master's materials and appliances, conceives and perfects an invention for which he obtains a patent, he must accord his master a non-exclusive right to practice the invention" (T. 360, 361). And counsel for respondent has also pointed out (same page) that the same proposition has been reaffirmed *four times* in the dissenting opinion in that same case, and in particular cites the comment of Mr. Justice Stone that:

> "where the employment does not contemplate the exercise of inventive talent, the policy of the patent laws to stimulate invention *by awarding the benefits of the monopoly to the inventor* and not to someone else leads to a ready compromise: a shop-right gives the employer an adequate share in the unanticipated boon." (Emphasis ours.)

We agree fully that this is a correct statement of the rule that is applicable here *when account is taken of all the facts.*

The point which first challenges attention is the "unanticipated boon" which the inventor is supposed to receive as a basis for the claimed shop-right. Is there any such "boon" here It cannot be the Sharp stock interest which was bought and paid for long before the patents in

question were granted. The respondent has long enjoyed the employer's "adequate share." The "boon" has also redounded to its *exclusive benefit* because of disability on the part of the petitioner to realize on it in any of the usual ways. In this case, at least, the reason for the shop-right rule plainly does not exist. The circumstances here will exclude "an application of equitable principles," if an unconditional shop-right be decreed. Yet this is exactly what the respondent is demanding, and all without compensation of any kind. The "application of equitable principles" calls for just compensation to be paid for use of the patents, regardless of whether the respondent holds title, or accepts therefrom virtually exclusive benefits which the present title owner has never been in position to withhold. The effect of the patent protection has been the same all these years, and could not be otherwise. This protection was a thing of agreed value according to the contract of October 1, 1918 (T. 424) and nothing has transpired since to diminish, much less destroy, that value.

That special circumstances might require discretion in application of the shop-right rule was clearly indicated in Mr. Justice Stone's minority decision in the *Dubilier* case, *supra,* for he went on record to say (pp. 289, 290):

> "The capacity of equitable doctrine for growth and of courts of equity *to mould it to new situations,* was not exhausted with the establishment of the employer's shop-right." (Emphasis supplied.)

This language unknowingly was made to order to fit the situation here which indisputably *is "new"*. Our contention that equity cannot recognize any shop-right as belonging to the respondent here, is both sound and deserving of approval by this Court. Unfortunately, the U. S. Circuit Court of Appeals did not consider this aspect of the

situation or, if it did, saw fit not to refer to it in its decision. An opportunity which we urge this Court to accept is now open to correct what we believe to be a grievous error, and to furnish all inferior Courts with proper guidance in similar cases arising hereafter.

The Sharp Jr. Patents.

Another question which is also novel, so far as we are, aware, arises in connection with one of the petitioner's patents (No. 2,024,069) relating to a leak-proof bolt. This was invented by Sharp, Jr. when he was a salesman for the respondent. His first bolt was made in a railroad shop in Florida, far from any premises of the employer (T. 170). Four or five additional bolts were later made in a home basement shop, and paid for by Sharp, Jr. himself (T. 171). Later "a great deal of experimentation" took place in a Cleveland plant, at a place far removed from any facilities or appliances of the employer. The invenation was apparently completed before the respondent ever knew of it.

It is doubtful if the decision in the *Dubilier* case can be made applicable to an employee's invention produced under such conditions. A patentable product made independently of any of the employer's facilities or materials should be beyond his reach, since he has contributed nothing to the invention. Any attempted application of the shop-right rule in such circumstances does violence to the rationale of the Dubilier decision.

The Trial Court found (T. 526) that "*with the intention of embarking on the manufacture and sale of this bolt,* the Grip Nut Company, under the direction of William E. Sharp, spent about $5,000.00 in developing and perfecting the bolt and getting it ready to be manufac-

tured." This is perhaps true, and we see no reason to question is here. But is this enough to vest the respondent with any rights by way of title, license, or otherwise to the bolt patent? We think not, for the very good reason that *the invention*, both as to conception and reduction to practice, *had been completed independently of the employer* and without his aid in any degree.

Concerning the $5,000.00 or so spent "with the intention of embarking on the manufacture and sale of this bolt," there is *no competent evidence as to when this took place*. Respondent's accountant Freund whose first acquaintance with the respondent's books started August 3, 1935 (T. 112), has found therein certain items totaling $5,088.43 which he interprets to refer to "the development cost of bolts made at or about the time that the leak-proof bolt was being developed." He produced a summary (T. 313) which was received in evidence, over petitioner's objection, as Plaintiff's Exhibit 54. This, and nothing else, is relied upon to suggest that respondent's activities with the leak-proof bolt continued for one year, commencing December 31, 1930. If such questionable evidence be given any weight at all, it shows merely that the respondent started to spend efforts and money ten days after Sharp, Jr., had written his father (T. 491) concerning the same bolt and the process of making it. A much greater lapse of time may have intervened before the respondent started spending its money,—there is no reliable evidence on this point—and it is preposterous to rely upon the insufficient evidence here adduced to support the claim that the respondent contributed in any way to the development of the invention, and hence must be vested with a shop-right.

The decisions dealing with the doctrine of shop-right refers to the employer's contribution usually as taking the

form of "materials and appliances" or as use of the "master's time, facilities, and materials to attain a concrete result" (*U. S.* v. *Dubilier, supra,* p. 188). Here the "concrete result" was attained without assistance of any kind from the employer, in fact without his knowledge. Is the theory of shop-right now to be expanded to the point that an employer may at any time, even years later, spend his money for sales promotion, and thereby lay the basis for his claim to such a license?

Money and efforts so spent, after a "concrete result" has been attained, and particularly "with the intention of embarking on the manufacture and sale of this bolt" (T. 526), is definitely not a contribution to development of an invention. As Sharp, Jr. so aptly stated (T. 172), "I would say that the development expense would be something that was incurred before you had anything to sell, and promotional expense or sales expense would be something that was necessary to get a thing on the market successfully." And that such expenditures were made primarily "with the intention of embarking on the manufacture and sale of this bolt" is made clear by Sharp, Jr., who stated that (T. 171):

> "The major portion of it was in connection with various types of the bolts, that is different angularity of the shank; the different number of flutes; different undercut and the fastening of the undercut in the head; offsetting the spiral shank which has a cutting action in the bolt; varying degrees over and above the threaded portion of the nut. There were two or three things in view there, one, the form that was most universally applicable for different types of work; and, two, what was the cheapest way of doing it; and, third, the Grip Nut Company attempting to determine in our shop and on cars whether or not we had it in the form that was most readily saleable and satis-

factory to the prospective customers and the railroad car departments."

There is little or no evidence to a contrary effect, and the fact that the respondent prepared the approved 14th Finding of Fact (T. 526) in such indefinite language supports the clear inference that nothing more favorable to its contention here can possibly be deduced from the record.

A very similar situation was dealt with by the U. S. Circuit Court of Appeals (1st Circuit) in *Haywood-Wakefield Co.* v. *Small*, 87 Fed. (2d) 716, where the Trial Court was upheld in its finding that (p. 720):

> "From the moment when the idea was originally submitted to the defendant (the employer), there seems to have been very little doubt as to its successful use. As stated by one of the defendant's officials, 'It was complete enough so that you could see it was going to meet the requirements.'"

There the employee's invention was embodied first in a cardboard and then in a cigar box model, but it was complete enough "so that you could see it was going to meet the requirements." Here the leak-proof bolt was embodied in numerous operative specimens which, *after test*, had so impressed Sharp, Jr. that he wrote on December 20, 1930 "it has a big field outside the railroads. It will take three or four patents to cover the different forms of this invention and process for making the bolts" (T. 491). These same tested specimens so impressed the respondent also that it decided to expand efforts and monies in "sales promotion" work, as testified to by Sharp, Jr. (T. 172), and also sought by negotiation to purchase the invention from him (T. 147).

We pass now to the action of the respondent in seeking to make some arrangement with Sharp, Jr. to buy his leak-proof bolt, perhaps with stock of the company. Testimony to this effect, involving the respondent Hardy, was offered by Sharp, Jr. (T. 147). It was never denied, much less even touched upon, by Hardy when he later testified on rebuttal. At that time, probably in 1930 when Sharp, Jr. refused to part with his invention, the respondent made no claim of shop-right. If, as is probable, its $5,000.00 of sales promotion expenditures had not been made at that time, is that the reason why the respondent was in no position to assert a claim of shop-right? If so, did it then decide to spend sales promotion money to build up a fictitious claim of shop-right, since it was unable to acquire any right otherwise? These questions suggest some of the possibilities which will be opened up to an employer if the respondent's theory of sales promotion expenditures be upheld as a consideration sufficient for establishment of a shop-right claim.

The conclusion expressed by the Appeals Court in the *Haywood-Wakefield* case, *supra,* is equally applicable here, viz. (p. 721):

> "The plaintiff (employee), before he left the defendant's employ, had repeatedly refused to assign his patent or put it in as a 'suggestion', or to enter into any arrangements giving the defendant rights therein, until he knew what he was going to get for it, and so stated at the conference in the office of the patent lawyer. The record does not sustain the defendant's contention that it was entitled to a 'shop-right as a matter of law.' "

We also cite *Diedrick* v. *Helm,* 14 N. W. (2nd) 913, in which the Minnesota Supreme Court considered a situa-

tion in which a corporation had sought, but without success, to obtain certain property, saying:

> "*Where a corporation declines*, because of legal barriers, *to avail itself of an opportunity, Thilco Timber Co.* v. *Sawyer*, 236 Mich. 401, 210 N. W. 204; or it is the settled policy of the corporation not to engage in a particular line of business, *Lancaster Loose Leaf Tobacco Co.* v. *Robinson*, 199 Ky. 313, 250 S. W. 997; *Bump Pump Co.* v. *Waukesha Foundry Co.*, 238 Wis. 643, 300 N. W. 500; *or it has declined the opportunity for business reasons, Lincoln Stores, Inc.* v. *Grant*, 309 Mass. 417, 34 N. E. 2nd 704; *or the opportunity is not available to the corporation either because a party refuses to deal with or because the corporation sought, but without success, to obtain it, Bisbee* v. *Midland Linseed Products Co.*, 8 Cir., 19 F. 2d 24; *Pioneer O. & G. Co.* v. *Anderson*, 168 Miss. 334, 151 So. 161; or in some other instances which might be mentioned, *the opportunity is one in which the corporation has no legitimate interest or expectancy and may be embraced by an officer or director as his own. . . .*" (Emphasis supplied.)

There is also a second Sharp, Jr. patent, No. 2,024,070, relating to a method of making his leak-proof bolt, and this the respondent includes in its claim of shop-right. The evidence, however, does not distinguish between activities and expenditures devoted to the two patents—the bolt and the method of making it. Sharp, Jr. refers to the "process for making the bolts" in his December 20, 1930 letter (T. 491), and to "a great deal of experimentation with that bolt to attempt to adapt it to standardized manufacturing processes" (T. 171), all that having been done at Cleveland, Ohio under his personal supervision. If the respondent ever did any similar experimental work, then the record fails to show *when*. Was it before or after June 23, 1932 when Sharp, Jr. filed his application for this pat-

ent? There is no way of telling, and if the respondent's defense of shop-right is to succeed then the evidence should be clear and convincing on the point in question. It is to be remembered that th burden of proof is on the respondent to establish those acts and things necessary for support of its claim of shop-right, and failure to meet this requirement is sufficient to disentitle this defense to further consideration. Even the Trial Court's approval of the 14th Finding of Fact (T. 526) does not cover the point in question, consequently we assert there can be no valid claim on the respondent's part to a right of any kind in and to this second Sharp, Jr., patent.

There is also the further question, viz., whether the Sharp, Jr. inventions produced under such conditions can ever become the employer's property solely by reason of a transfer of ownership therein to the company's president. This transfer which was unsolicited was made in settlement of a private debt. It is strange indeed if an employee's inventions to which the employer can lay no valid claim of shop-right can be made subject to a much weightier claim, viz., title ownership, because, and solely because, that employee saw fit to settle a private debt by transferring his inventions to the company's president. If this principle can be extended to include an invention in which the employer would otherwise be without right, then indeed does one who stands in a fiduciary relation incur a risk in becoming creditor to any fellow-employee. Unless there be in such a private transaction some element of fraud, or intention on the part of the employee to profit at the expense of his employer, we question whether any such transfer, constituting a private deal between two employees, is sufficient to invest the employer with a right of any kind to participate in and to the patented inventions.

The Anderson Patent.

Anderson was engaged by the respondent as an engineer pursuant to a written contract of May 16, 1932 which required him to assign to the company any invention which he might produce. During the course of his employment, he invented a brake beam support for which he filed on May 10, 1933 an application which later matured into patent No. 1,976,694 under date of October 9, 1934. The application was assigned to Sharp, Sr., and following his death was issued to the petitioner by whom it is now owned. It is the respondent's contention that Sharp Sr. took title to this invention as trustee for his company, wherefore an assignment thereof to the respondent should now be ordeıed.

The fact situation is not so simple as all this. From the testimony of Sharp, Jr., it appears that the respondent contract with Anderson was cancelled (T. 166), although he continued on after that as a draftsman for some three or four years. Sharp, Jr. has testified that he saw in the repondent's files an executed copy of the Anderson contract whereon was marked "Cancelled" (T. 167). Although demand was made upon the respondent to produce this copy of the contract, it failed to do so, offering instead a copy purported to have been Anderson's. The date at which the contract terminated was not definitely established.

However, there is very important testimony by Sharp, Jr. concerning the Anderson break beam support with which he was familiar from its inception (T. 165). Sharp, Jr. saw large commercial possibilities in this invention, and so expressed himself to his associates. Messrs. Hardy and Tripp, however, were disappointed in the development work that Anderson was doing, and Sharp Jr., then learning of

their decision not to have him continue with that line of work, had a talk with them in the spring of 1933, stating that he thought they were making a mistake in their decision. Continuing, Sharp Jr. has testified (T. 166):

> "And Mr. Tripp told me, no everything that Anderson had worked on was a bust; that we ought not to keep this up any longer; that we would have to stick to what we had and let it go at that, and in spite of the fact I was urging as sales manager that this would give us quite a market for our grip unit nuts, that no, they were not interested in that."

It was after that talk that the Anderson contract was cancelled (T. 166).

The evidence is scanty on what happened next. There was found a letter of April 21, 1933 (T. 497) from Sharp Sr. to Anderson with the signatures of Sharp Sr. and Anderson affixed. In this letter Sharp Sr. agreed to assume the patent expense of two specified Anderson applications, *together with any improvements he might make,* and to personally assume the obligation of paying to Anderson certain royalties which the latter was entitled to receive under his contract. There can be little or no question that this assumption of the patent expense and of the obligation to pay to Anderson the royalties due on his inventions, occured subsequent to cancellation of Anderson's contract. It could hardly be otherwise. There is also the further fact, supported by the record, that payments were made by Sharp Sr. as per his undertaking which was expressed in the letter of April 21, 1933.

Summing up, the company was content to cancel Anderson's contract in the very early part of 1933, at a time when it was unwilling to finance Anderson's invention, or to proceed with development work thereon.. Then and there it

definitely refused to become interested in the brake beam support for which the Anderson patent No. 1,976,694 was later granted. Sharp Sr. personally took over the company's royalty obligation to Anderson so as to save, for its benefit, the Anderson brake beam support which in later years has proved to be one of the most valuable of its products.

With improved business conditions which followed, the respondent has come to recognize its mistake. It now seeks to acquire what it once rejected. Accordingly it is now contending for title to the Anderson patent on the ground that Sharp Sr. could only be acting as a trustee for the company when he assumed personally the obligations necessary for procuring the patent and keeping it from competitors. The theory of trusteeship, however, cannot be made to apply in such circumstances, and among other authorities for statement, we refer again to *Diedrick* v. *Helm, supra.*

The evidence supporting our assertions here has never been disputed, much less questioned, even though Messrs. Hardy and Tripp, who were responsible for rejecting the Anderson brake beam support, testified in this case on rebuttal. With full opportunity to contradict the testimony of Sharp Jr. above referred to, they preferred to remain silent, and did so, consequently cannot be heard now to question the telling effect of the evidence in question. The fact findings of the trial judge are also silent concerning the respondent's rejection of the Anderson brake beam support, together with the assumption by Sharp Sr. personally of an obligation to finance the patent application and pay to Anderson the royalties due him from the respondent. All these facts, which are important to a correct determination of the respondent's status with reference to the Ander-

son patent, were ignored or overlooked by the trial judge, and by the Circuit Court of Appeals whose decision is completely silent on these matters, although it did comment on that fact that Sharp Sr. had paid the patent expense.

CONCLUSION.

A clarification of the rule announced by this Court in the Dubilier case is most earnestly sought at this time, because of what we construe to be misapplication of its doctrine to the facts in the case at bar.

The Sharp Sr. patents fall squarely within this category. Are equitable principles to be the controlling consideration in application of the rule? If so, then does disability on the part of the employee to exercise any of the usual rights of ownership constitute such a factor as to preclude the apportionment of rights as prescribed in the Dubilier case? These are questions for which no satisfactory answer is to be found in any authorative decision.

The Sharp Jr. patents also fall within the same category in so far as "his master's materials and appliances" may constitute a necessary ingredient for application of the shop-right rule. Where the evidence is deficient on the point of any contribution of materials or appliances by the employer, then can any claim of shop-right be validly asserted? Also if expenditures and work by the employer come long after completion of the invention, and primarily "with the intention of embarking on the manufacture and sale" of the already completed device, can the employer

then qualify for a claim of shop-right? And when such expenditures and efforts have been characterized without dispute as "largely sales promotional expenses as evidenced by the rate of it" (T. 172), must not a distinction be made between invention development expense on the one hand and sales promotion expense on the other hand, the former alone being entitled to consideration in weighing a claim of shop-right? And if one employee becomes a creditor of a fellow employee who has developed and completed a patentable invention, with entire independence of any contribution by the employer and therefore free of any claim of shop-right, is that creditor-employee to be precluded from accepting and keeping title to such invention in settlement of his claim when payment of the debt is otherwise improbable?

The Anderson patent also falls within the same category in so far as concerns the claimed right of an employer to his employee's invention, after rejection of the invention and cancellation of a contract under which the employer would have been entitled to full ownership, the invention being then rescued from discard by a fellow employee who personally assumed the financial obligations that were inseparable from the invention. Can an employer, who has voluntarily declined to accept title, assert that he is not barred thereafter from regaining what was given up, and assert also a valid title claim to the same invention against another employee who has personally rescued the invention from oblivion and assumed the financial obligations that are connected with it?

At no time has laches ever been asserted, and such a question is absent from this case. Nor have the motives or actions of either Sharp, Sr. or Sharp, Jr. ever been questioned, so far as concerns their discharge of their

fiduciary obligations to the respondent. Both used their best efforts in promotion of the respondent's welfare, and in pursuance thereof placed at the disposal of the company the various inventions which they made or acquired. At no time did either of them ever hold back anything. The matter of compensation was one to be determined at a later time when the company should have emerged from its perilous condition of the 1930's. With the aid of their inventions the respondent succeeded in reestablishing itself, whereupon the question of compensation for use of the patents has come to the fore, and it is that issue which has precipitated the filing of the case at bar.

Respectfully submitted,

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